



GADD SMP FUND

Monthly Report

September 2023

NAV CHF 1'914.57*

Inception date 05.04.2011 = CHF 1'000

* at 30.09.2023

	Jan.	Feb.	Mars	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year
2014	-0.3%	4.9%	-1.6%	3.1%	1.4%	0.3%	-1.6%	0.6%	-2.2%	0.4%	3.6%	1.8%	11.0%
2015	0.8%	4.4%	-0.4%	1.9%	-0.7%	-4.4%	0.7%	-2.5%	-0.5%	4.0%	1.0%	1.4%	5.3%
2016	-4.9%	1.3%	2.0%	3.4%	3.6%	-5.0%	3.2%	2.4%	2.1%	0.1%	-2.4%	2.3%	7.7%
2017	0.8%	2.8%	-2.9%	3.8%	1.2%	0.0%	-3.0%	-1.5%	3.6%	1.5%	-1.4%	-1.2%	3.5%
2018	1.5%	1.0%	-3.0%	2.7%	0.9%	-0.8%	0.6%	3.3%	-0.9%	-5.6%	-2.0%	-2.9%	-5.5%
2019	5.7%	4.6%	-0.1%	4.2%	-0.0%	1.0%	0.1%	-1.7%	0.5%	0.1%	3.1%	1.8%	20.8%
2020	1.5%	-4.7%	-15.9%	8.9%	4.3%	1.1%	3.1%	3.9%	2.7%	-3.5%	5.1%	3.3%	7.6%
2021	0.0%	3.1%	2.8%	3.8%	7.2%	0.0%	4.6%	1.3%	-1.1%	5.9%	1.6%	3.8%	37.7%
2022	-7.1%	-1.8%	5.3%	-1.6%	0.8%	-9.4%	7.2%	-4.6%	-3.1%	4.4%	3.1%	0.3%	-7.6%
2023	3.2%	-1.5%	-1.6%	-0.5%	-3.3%	1.8%	2.0%	-3.0%	-2.3%				-5.0%

Market Comment

The historically weak month of September was no exception this year either. The month was affected this year by central bank announcements, threats to shut down the American government apparatus, rising oil prices, auto workers' strike in the USA, and in Sweden by a continued weakening of the Swedish Crown. There is a light at the end of the tunnel as soon we leave behind the historically weakest stock market period and enter the traditionally strongest one.

As expected, the Fed left the interest rate range unchanged at 5.25-5.50 percent, but revised up its interest rate forecasts to a median of 5.1% next year and 3.9% the following year. The signal is now clear that the Fed wants the market to move to a higher interest rate for a longer period of time.

The US state apparatus once again managed to avoid a shutdown. It was a busy period for American politicians who first voted against the proposal to fund government operations for 30 days, then in the second vote, called by House Speaker McCarthy, voted for the cross-party budget proposal. The new temporary budget applies up to and including November 17.

The previously mentioned McCarthy made history when he was elected Speaker first in the fifteenth round of elections. In early October, it was time again, McCarthy also became the first Speaker in US history to be impeached by the members of the House of Representatives, including members of his own party. The process of appointing a new Speaker began immediately, but the clock is ticking. On November 17, the deadline for the transitional budget expires, by which time Congress should have succeeded in agreeing on a long-term budget settlement, otherwise the American state apparatus is once again threatened with a shutdown.

The Riksbank raised the key interest rate by 0.25 percentage points to 4.0%. An increase that was expected according to the Riksbank's previous forecast. The interest rate path gave some support that the rate hike was the last in this cycle. The Swedish Crown (SEK) strengthened by almost 40 öre against the euro and close to 30 öre against the dollar since the Riksbank's interest rate announcement and that they can now start their purchases of SEK against the dollar. It remains to be seen whether the strengthening of the SEK will be sustained, but it is nevertheless very welcome for the economy, households and companies.

Index	31.12.22	30.09.23	YTD
MSCI World (USD)	2'602.685	2'853.24	9.6%
STOXX50 (EUR)	3'793.62	4'174.66	10.0%
S&P 500 (USD)	3'839.5	4'288.05	11.7%
Nasdaq Comp (USD)	10'466.48	13'219.32	26.3%
Dax (EUR)	13'923.59	15'386.58	10.5%
SMI (CHF)	10'729.4	10'963.5	2.2%
OMX30 (SEK)	2'043.404	2'155.49	5.5%
MSCI Russia (USD)	0	0	
MSCI China (USD)	63.948	58.04	-9.2%
NIKKEI (YEN)	26'094.5	31'857.62	22.1%
Swe. Gov Bond. 10 y	2.46%	2.95%	

It was unclear until the end whether there would even be an interest rate increase from the ECB during the month. When the tenth increase in ten meetings finally came, it was very dovish and there were several in the executive board who had wished for a pause in the interest rate increa-

ses. The ECB also made a substantial downward adjustment to the growth outlook and also slightly lowered the forecast for core inflation.

Extended supply constraints pushed oil prices above \$90 a barrel, the highest level since last November. Saudi Arabia and Russia announced they are extending existing supply restrictions. Saudi Arabia is extending its voluntary production limit of one million barrels per day until the end of December this year, well above the limits agreed by OPEC+ countries. Russia does the same with export restrictions of 300,000 barrels per day during the same period. The rapid rise in prices may seem somewhat unexpected as extended restrictions hardly come as a major surprise given Saudi Arabia's tendency to prefer higher prices over larger volumes.

The world index MSCI World (USD) retreated by (4.5%) during the month. The S&P 500 in the US fell by (4.9%) and the Nasdaq by a full (5.8%). In Europe, the STOXX50 retreated by (2.9%) and the Dax by (3.5%). SMI retreated (1.5%) and OMX in Stockholm with (1.3%). MSCI Russia (USD) remained closed. MSCI China USD fell by (2.9%) while Japan's Nikkei retreated (2.3%).

The Swedish 10-year government bond yield rose during the month by 24 points, from 2.71% to 2.95%.

The fund's net exposure in shares was kept almost constant, but was reduced slightly from the previous 46.8% to 45.5%.

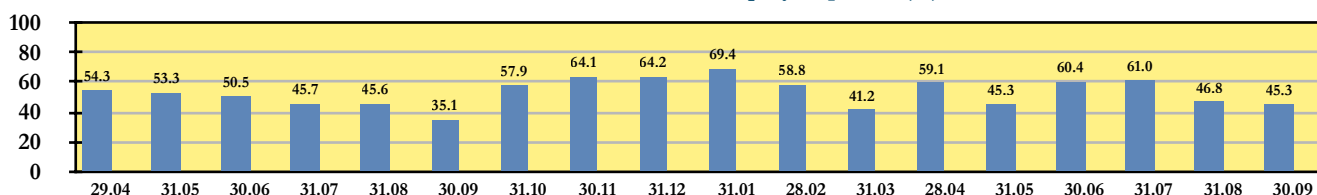
The short technical indicator has turned up from a negative stance to a neutral one. The medium-term has also turned up and indicates a neutral trend, while the long-term indicator now shows a strong positive trend compared to a weak positive trend the previous month.

Investment strategy

In the previous monthly newsletter, it was highlighted that we are in a historically weaker stock market period, but that we are approaching the usually strong end to the year. The turnaround usually coincides with the reporting period for the third quarter. September was no exception but confirmed the historical seasonal pattern and all the stock market indices the fund follows showed a negative result.

One can question the focus on whether the central banks have reached an interest rate peak or whether they are still in an interest rate hike scenario. However, it has to do with the fact that the trailing period at the end of a rate hike cycle usually coincides with rising stock prices. The US can be men-

GADD SMP FUND: Net Equity Exposure (%)



Activities of the month

After a rights issue in Backaheden, one of the fund's shareholdings, Stenhus passed the 30% limit for ownership, which triggered a mandatory bid. The shareholders in Backaheden are offered SEK 66 in cash per share in Backaheden. The fund intends to accept the offer. The bond holding in 4Finance was sold during the month following information from the company that they do not intend to repay the bond but that the maturity date will instead be extended.

During the month, the Danish pharmaceutical company Novo Nordisk increased its stake in the fund by 1% to 5%, while Lundin Gold reduced its stake by 1% to 3%.

The strongest development of the fund's holdings during the month was Alleima, which rose by 14.2%, followed by Skanska 12.1%. Other holdings that rose considerably were Cibus Fertilizer 7.8%, SEB 2.8% and JM 2.7%.

On the negative side, Hexatronic can mainly be mentioned, which fell by 25.3%. Embracer fell by (17.5%), Implan-tica (14.7%), Nibe (12.6%), Sdiptech (11.4%), Husqvarna (11.4%), Wihlborgs (9.3%), VEF (8.6%) and VNV Global (8.5%).

tioned as an example, where the S&P 500 has risen an average of 13% from the last rate hike to the first cut, and a further 6.5% in the first six months after the first cut.

The fund chose to maintain its defensive stance during the month of September, but now intends to cautiously increase the proportion of shares in the near future. Previously mentioned seasonal patterns together with dovish central bank statements should be able to support the market. The strength of knowing that the fund can quickly reduce the risk in the event of a possible continued cancer trend gives the fund the opportunity to stand out by being something of a "contrarian" despite the current stock market climate.

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